

NASA Advisory Council Meeting

Report of Audit and Finance Committee

October 18, 2007

Members:

Mr. Robert Hanisee, Chairman
Hon. Ted McPherson
Hon. Michael Montelongo
Mr. Howard Stanislawski

NASA:

Hon. Ronald Spoehele
Mr. Terry Bowie



New Leadership - Ron Spoechel, NASA CFO

Background

- Substantial private sector experience in Senior Leadership roles
- EVP, CFO, Director of ICx Technologies (an advance Security solutions company)
- EVP, CFO and Director of ManTech International Corporation (a NASDAQ listed government technology solutions company)
- VP of Corporate Development for Harris Corporation
- VP at Lehman Brothers (Investment Banking firm)
- VP at Bank of America

Education

- MBA, Wharton School
- MS in Engineering, Moore School of Electrical Engineering
- BS in Economics, University of Pennsylvania

Impressions

- Eminently qualifies for this role
- Has hit the ground running since Mid-September 2007
- Already has a high-level grasp on NASA's vision, mission and strategic imperatives (enterprise and functions)
- displays a passion for his new job and the opportunity to make a difference



Update

Fund Balance With Treasury

NASA received a GREEN (Passing Grade) from Treasury on Cash Balances
As of August 31, 2007

- Net Difference \$105 K
- Absolute Difference \$11.8 M

Environmental Liability

Still no IV&V on software from vendor. Sent letter to vendor suggesting they consider SAS 70 audit. Have not received response.

New issue: NASA needs to begin estimating cleanup costs when items are placed into service per standard.



Update

Property Plant & Equipment - Validation

FASAB accepted changed accounting interpretation permitting expensing of R&D (Theme Assets - 2006):

Property, Plant & Equipment (2006 Fin Stmt)	\$ 33.2B
R&D Reclassification - Prior Years	(12.7B)
R&D Reclassification - FY 2007	(.3B)
Additions in FY 2007	<u>.3B</u>
Anticipated FY 2007 balance	\$ 20.5B
Space Exploration PP&E (e.g. ISS, Shuttle, WIP)	\$ 18.4B
Buildings & Structures	\$ 2.1B

Theme assets expensed retroactive to 10/01/06



Property, Plant and Equipment

Property Plant & Equipment (cont.)

Contractor Held Equipment:

Developed NASA Interim Directive to establish policy for tracking and reporting the cost of individual asset items (was at summary level in the past)

Contractors will report purchased and held property on a timely and an individual asset basis (e.g. 533 report, EVM report)



Property, Plant and Equipment

Property, Plant & Equipment (cont.)

Policy changes apply to new contracts and “new work” on existing contracts.

Continue to work with Centers to apply policy to major new programs (ARES, ORION and COTS) under Constellation.



Financial Staff Personnel Update

April: 103 FTEs, 10 below Authorized 113

July: 92 FTEs, 21 below Authorized 113

August: Authorized decreased by 4 to 109

September: 90 FTEs, 19 below Authorized 109

Goddard CFO – internal and external candidates identified; progressing to interview and selection stage



NASA Shared Services Center

Developed integrated schedule for transitioning Accounts Receivable, Accounts Payable and SF-224 Reporting

Task force paving way forward for transition of Accounts Payable, Accounts Receivable and SF-224 Reporting -- Implementation planned in three waves of Centers

Internal Control Framework being utilized to imbed solid controls during transition



Grant Accounting

Grant By Grant Accounting

- May 2008 implementation with SAP Version 8.1 Upgrade**

Transition plan managed by Terry Bowie

- Close out old grants when money is spent**
- Use HHS Data**

4400 Active Grants outstanding ~ \$850M



Overview of Langley Research Center

Met with: Ken Winters, LaRC CFO

**Center transitioning from Aeronautics center
to balance between Aero, R&D activities and
Science**

FY08 Budget ~ \$700M

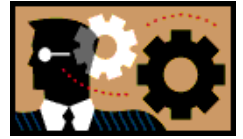
**Center Fully committed to ONE NASA and
SAP/IEMP implementation/utilization**



Obtain/Maintain Clean Opinions

- NASA implemented Audit Corrective Action Plan (CAP)
- Plan to address weaknesses & obtain unqualified opinion
 - Financial Systems, Analysis & Oversight
 - Property, Plant & Equipment (PP&E)
 - Fund Balance with Department of Treasury (Cash)
 - Environmental Liabilities estimating
- NASA LaRC actively supporting pursuit of clean opinion
 - Periodic controls monitoring
 - Initiating new capitalization practices
 - Regular cash reconciliations
 - Periodic environmental liability estimation

Professionals are Essential



- Professional financial experts produce optimum mission results
 - Financial professionals are in high-demand
 - “Employment for accountants and auditors is expected to grow faster than average for all occupations through the year 2014”. (Department of Labor)
- Nationally accountants/analysts are well educated & paid
 - Nationally financial professionals are well educated

	<u>National</u>	<u>NASA</u>	<u>Center</u>
● Bachelor's (or higher)	~94%		88% 91%
● Master's (or higher)	~32%		20% 36%
● Nationally financial professionals are well paid (Salaries in thousands)			

	<u>National</u>	<u>NASA</u>	
● Start	\$44	\$36	(GS-7)
● Mid-level	\$40k-\$90	\$36k-\$89	(GS 7-14)
● Senior/Mgr.	\$116k-\$175	\$105k-136	(GS-15)
● CFOs	\$227k-\$386	\$136k-\$187	(SES)

NASA requires best professionals for best results (Demand high)



Constellation Program Financial/Risk Management

**Met with: Charles Stegemoller, Program Planning and
Control Office, JSC
Kathy Pollard, MSFC**

Review of:

- Constellation cost threats process**
- Challenges & Opportunities associated with Implementation of
Earned Value Management of Project**

**A multi-decadal program spread across all of NASA and much of the
Commercial Aerospace Industry**

**“A cost threat is identified if the cost risk mitigation cannot be
accommodated within existing program or project reserves”**

Earned Value Management

- A detailed breakdown of elements from Statement of Work –
Schedule and Budget – Performance Measurement – Corrective
Action (when required) – with Feedback loop**



NASA Integrated Enterprise Management Program (IEMP)

What it is: A NASA-wide initiative to integrate the financial management and accounting, contract management, asset management, human capital management and systems and processes

- **Started in FY2000; implementation completed in FY2008 using SAP system**
- **What is now in place:**
 - **Core Financial transaction processing and reporting system**
 - **Payroll and Agency Labor and Distribution (Work Breakdown System)**
 - **Ability to review/roll up of projects, programs, missions etc. used in Executive Reviews**



NASA

Integrated Enterprise Management Program (IEMP) (cont)

**What remains for FY2008: Smaller pieces
such as:**

- E-Travel, Integrated Asset Management
(Property Plant & equipment), Human
Capital Information Environment, Aircraft
Management**

**Total Investment: \$865 million over 9 years of
almost \$100M a year for 9 years**

- Annual operating cost with maintenance
and enhancements of \$50 million**



Current Issues

79 additional projects to be evaluated and prioritized and sequenced

Continuous improvement of management information delivered to end users and decision makers



Future Actions

- Continue to monitor constellation cost elements
- AF committee members attend program review
- Fact finding session on unallocated balances
- NSSC – continue to monitor
- Meet with Deputy Administrator Shana Dale
- Meet with E&Y Post Audit completion
- Meet with OIG to review progress